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SIPDIS

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SUBJECT: NETHERLANDS/RUSSIA: PUTIN VISIT FOCUSES ON ENERGY AND HUMAN RIGHTS

REF: THE HAGUE 2942

Classified By: ACTING DCM ANDREW SCHOFER, REASONS 1.4 (B) AND (D)

1. (C) SUMMARY. A handful of substantive exchanges punctuated Russian President Vladimir Putin's November 1-2 state visit to the Netherlands, which otherwise was dominated by protocol. Putin's meetings with PM Balkenende, Dutch Parliamentary leaders, senior government officials and industry and business leaders yielded a number of tangible results: Putin and Balkenende voiced joint support for linking the Netherlands to the new gas pipeline to be constructed between Russia and Germany. The Russians signed two agreements with the Dutch Foreign Ministry calling for cooperation in fields including education, economic affairs, transport, environment, and defense as well as industry-specific agreements on export credit insurance and nanotechnology, aerospace, agriculture, and biomedics. The Mayor of Amsterdam invited a Russian trade delegation to visit the Netherlands' capital and Rotterdam in 2006. Balkenende enjoyed an "open dialogue" with Putin about human rights in Chechnya, a topic reportedly also discussed during the Russian President's meetings with Dutch Parliamentarians. Putin reportedly did not share Balkenende's positive view of the Chechnya discussion, and may have withdrawn an earlier offer to return a disputed art collection to the Netherlands from Russia in response. END SUMMARY.

2. (U) As anticipated reftel, Russian President Vladimir Putin's November 1-2 state visit to the Netherlands was primarily a protocol affair, including a state banquet hosted by Queen Beatrix at Noordeinde Palace in The Hague, a traditional wreath laying at the World War II monument at Dam square in Amsterdam, and a visit to the house in Zaandam in which Peter the Great resided during his years in the Netherlands. On the substantive side, the visit included a bilateral meeting with Prime Minister Jan Peter Balkenende, discussions with Parliamentary leaders, an informal gathering hosted by Amsterdam Mayor Job Cohen with senior government and Dutch industry and business leaders, and a separate meeting with Royal Dutch Shell representatives.

ENERGY TOPS AGENDA

3. (C) According to Dutch Economic Ministry (MEA) officials, Putin raised with Shell CEO Jeroen van der Veer the company's Russian investments, including the beleaguered Sakhalin II exploration venture. Van der Veer reportedly urged Putin to accept a revision of the current profit sharing agreement (PSA), in light of the project's schedule delays and UDD 10 billion cost overrun. MEA officials described Putin as cordial but noncommittal. Putin apparently noted that other companies in the region were not experiencing similar setbacks and suggested that discussions on the issue should continue. According to media reports, Putin also urged Shell to reach agreement with Russian company Gazprom on its recent share swap. (NOTE: In July, Shell traded Gazprom 25 percent ownership of Sakhalin II for a 50 percent stake in Gazprom's Zapolyarnoye gas field. Gazprom now asserts that, because of Sakhalin's problems, the trade is no longer equal. END NOTE.) Van der Veer told the press that Shell would continue to seek a solution.

4. (U) During a joint press conference, Putin and Balkenende both indicated support for the linking of the Netherlands to the West European pipeline system that Russia and Germany have agreed to construct under the Baltic Sea. Gas from this pipeline could be distributed via the Netherlands to other countries, including the UK.

PUSHING TRADE AND INVESTMENT

5. (SBU) During a roundtable discussion at the residence of Amsterdam Mayor Cohen, Putin expressed hope that his visit would result in increased trade and investment between the two countries. Dutch businesses represented at the meeting included Royal Dutch Shell, ABN Amro, Rabobank, Unilever, Nederlandse Gasunie, Stork, KLM, DSM, and Akzo Nobel. Other participants included Minister of Economic Affairs Laurens Brinkhorst, Crown Prince Willem-Alexander, and VNO-NCW (employers association) Chairman Bernard Wientjes. Putin

later told the press that Dutch-Russian trade in 2004 totaled \$16.5 billion, making the Netherlands Russia's second-largest trading partner after Germany. (NOTE: According to official government statistics, Dutch exports to Russia in 2004 totaled \$3.76 billion, while imports totaled \$7.12. The higher Russian trade figures probably reflect goods that are exported to the Netherlands and then shipped further to other destinations in Europe. Total accumulated Dutch investment in Russia was estimated at \$6.1 billion in 2004, with Russian investment in the Netherlands at about \$153 million. END NOTE.)

16. (U) Prior to the meeting, Mayor Cohen announced that he had extended via Putin an invitation for a Russian trade delegation to visit Amsterdam and Rotterdam next year. Brinkhorst also announced the establishment of Dutch-Russian "Business Councils" to promote further trade between the two countries. VNO-NCW Chairman Wientjes told Charge in a November 8 meeting that he was very impressed with Putin, and that while the roundtable discussion focused on energy issues, there was also considerable Dutch interest in investment in the agriculture sector in Russia. Despite participation by ING CEO Michel Tilmant and Philips Smits, Chairman of the Board of the Aalsmeer Flower Auction, the roundtable reportedly did not include any discussion of ING financial losses following the GOR's dismantling of the Russian oil company Yukos and Russia's temporary ban last year of Dutch flower imports.

17. (C) Brinkhorst remarked to the press after the roundtable that "a country with a president like Putin can only be viewed as a reliable trading partner." Dutch Foreign Ministry officials were less effusive, however. While many international businesses, including Russian ones, incorporate in the Netherlands, this process does not always include the investment of Dutch funds. That said, these officials acknowledged that Dutch investment in Russia was growing. They expected that this trend would continue. Russia was not a "easy market" but access was improving. Putin's visit had shown that Russia was working to facilitate better access to its markets, especially for medium-sized businesses.

COOPERATIVE AGREEMENTS SIGNED

18. (U) During the visit, Dutch Foreign Minister Bernard Bot and his Russian counterpart Sergey Lavrov signed two agreements: a "Common Action Program" for 2005-2007 and cooperation accord on education. The "Common Action Program" calls for cooperation in the area of technological and natural disasters, the fight against infectious diseases such as HIV/AIDS, and the exchange of information on counter-terrorism efforts. The program also calls for collaboration in the areas of political dialogue, economic affairs, transport, environment, taxes and customs, judiciary and police, defense, social affairs, education and culture. Other industry-specific agreements included an accord signed between the Russian Sberbank and Atradius Dutch State Business (DSB) on export credit insurance and a separate accord signed between the Russian Academy of Sciences and the Netherlands Organization for Applied Research (TNO) in the area of nanotechnology, aerospace, agriculture, and biomedics.

FRANK TALKS ON CHECHNYA

19. (C) Despite Putin's legendary prickliness regarding Chechnya -- he once threatened to circumcise a journalist critical of his policy -- the Dutch raised concerns about human rights in Chechnya during talks with the Russian president. At the joint press conference, Balkenende said he conveyed Dutch concern about reports of disappearances and heavy-handed treatment of Chechnyan human rights activists, but tempered his remarks by acknowledging the necessity to strike a balance with counter-terrorism efforts. Putin added that he and Balkenende discussed coordinating Russian counter-terrorism activities with those undertaken by the EU and the Netherlands. Balkenende approvingly characterized the discussion with Putin as "open and honest," adding that he raised the Council of Europe's Special Representative for Human Rights Gil-Robles' recommendations regarding Chechnya.

110. (C) Though MFA counterparts praised Balkenende's measured criticism, some Parliamentarians complained it was overly restrained. Parliamentary leaders reportedly discussed Chechnya with Putin during separate meetings.

KOENIGS COLLECTION

111. (C) A Ministry of Culture contact confirmed to Econoff that recuperation of the Koenigs Art Collection was raised briefly during Putin's meeting with Balkenende. (See reftel for background on the case.) This contact said that Putin stated he was in favor of returning the collection. However, Putin, apparently angered by the tone of the questioning on

Chechnya during the press conference with Balkenende and in talks with Dutch parliamentarians, later sent his personal assistant to inform the Prime Minister's office that a return of the collection now was "not so likely." The Dutch Ministry of Culture had sent an official letter requesting the return of the collection and had expected a reply from the GOR as early as November 15. This contact said the GONL now was not optimistic about receiving a positive response.

COMMENT

112. (C) As a state visit, Putin's trip predictably addressed matters more of protocol than of substance. With regard to the latter, the visit may be considered some steps forward and a little stumble backward in terms of Russian relations with the Netherlands. The visit yielded a number of promising agreements, but Putin's apparent revocation of his offer to return the Koenigs Collection in response to mild scolding over Chechnya will do little to improve cultural or political relations.

113. (C) On the economic side, the visit underscored the increasingly important role played by Dutch investors in opening Russian markets for businesses from the West. Over the past year, Dutch business leaders have repeatedly told us of their serious concerns over the operating environment for business in Russia, while simultaneously indicating that they see it as a market they cannot ignore. Growing Dutch dependence on imported natural gas, as its own gas fields are depleted, means that the Dutch will have to look to Russia as an important energy supplier in the years ahead.
BLAKEMAN